

**PUBLIC DISCLOSURE**

NOVEMBER 5, 2007

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**TURNPIKE CREDIT UNION**

668 SOUTH AVENUE  
WESTON, MA 02493

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income individuals, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Turnpike Credit Union (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **November 5, 2007**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

The assessment of Turnpike Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs of its assessment area and by which the Division will evaluate the institution's CRA performance. On May 16, 1997, the state CRA regulation 209 CMR 46.00 became effective. Credit unions whose membership by-laws provisions are not based upon residence were now permitted to designate its membership as its assessment area. Since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted. Therefore, this evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various incomes, including low- and moderate-income members; and the Credit Union's fair lending performance.

Shares from the membership are returned to members in the form of automobile loans and unsecured personal loans. Loan-to-share ratios are at a satisfactory level for an institution of its size and capacity. The distribution of loans to borrowers of different income levels is considered more than reasonable and is representative of the membership.

The Review of Complaints and Fair Lending section indicates that the Credit Union has made reasonable efforts in attracting all applicants within its membership.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Turnpike Credit Union is a state chartered financial institution chartered by the Commonwealth of Massachusetts. The Credit Union, incorporated on February 22, 1974, was originally established to serve the credit needs of employees of the Massachusetts Turnpike Authority. As of June 30, 2007, Turnpike Credit Union had 1,116 members, which displays a strong penetration among employees of the Massachusetts Turnpike Authority.

The Credit Union originates new and used automobile loans and unsecured consumer loans. The Credit Union's rates, and terms and conditions are competitive with other credit unions of similar size and type.

The Credit Union's sole office is located at 668 South Avenue, Weston, Massachusetts within the John T. Driscoll Building. Office hours are from 8:00AM to 3:30PM Monday through Friday.

As of June 30, 2007, the institution's total assets were \$4,703,795 with total loans representing \$1,410,962 million or 30.0 percent of total assets. The following table depicts the Credit Union's loan portfolio composition based on the June 30, 2007 National Credit Union Administration ("NCUA") Call Report of Condition.

<b>LOAN PORTFOLIO COMPOSITION</b>		
<b>LOAN TYPE</b>	<b>AMOUNT</b>	<b>%</b>
New Vehicle Loans	486,563	34.5
Used Vehicle Loans	388,440	27.5
Unsecured Consumer Loans	535,959	38.0
<b>TOTAL</b>	<b>1,410,962</b>	<b>100%</b>

New and used vehicle loans comprise 62.0 percent of the entire loan portfolio, while personal loans represent 38.0 percent.

The Division last conducted a CRA examination on October 28, 2002, which resulted in the Turnpike Credit Union receiving a "Satisfactory" CRA rating.

### **Description of Assessment Area**

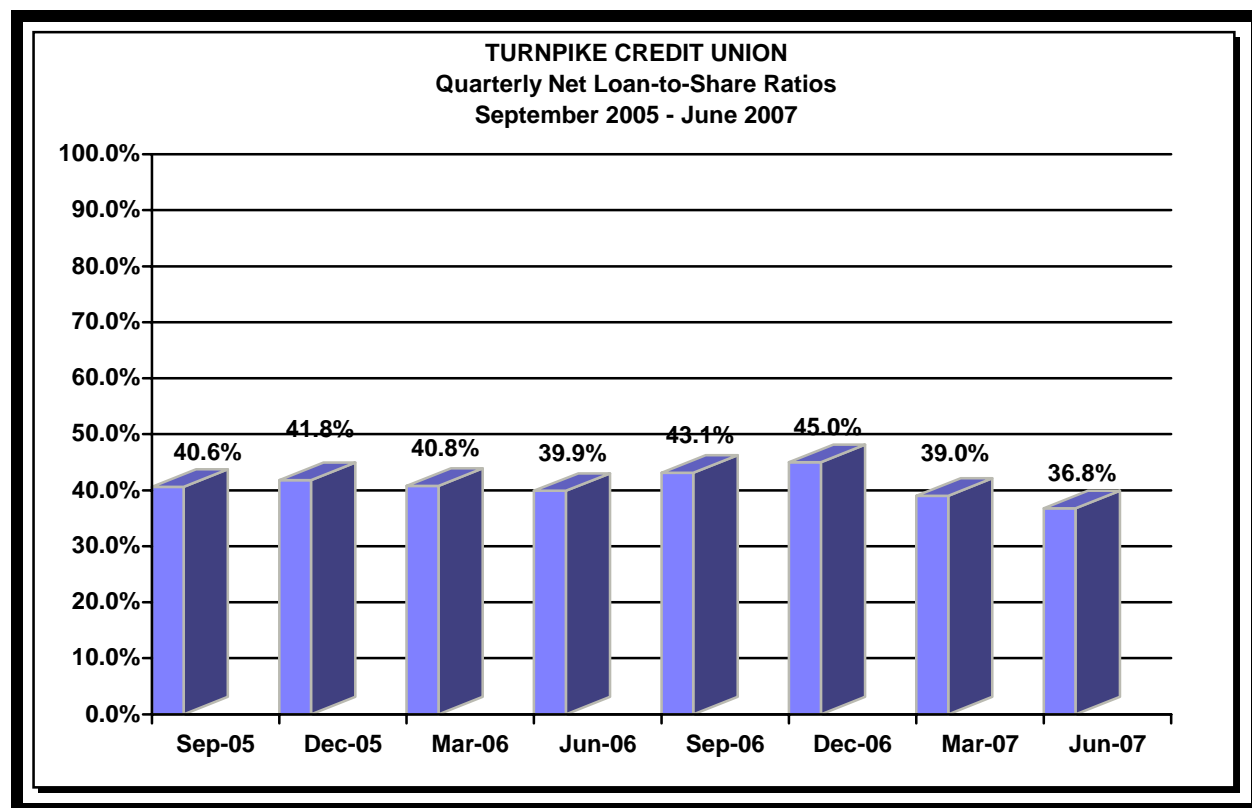
Turnpike Credit Union's by-laws state: "Membership in this corporation is limited to employees of the Massachusetts Turnpike Authority; retired employees of the Massachusetts Turnpike Authority; Members of Troop "E" of the Massachusetts State Police assigned to the Massachusetts Turnpike, employees of the Turnpike Credit Union; retired employees of the Massachusetts Turnpike Authority; and all their spouses, children, parents, grandparents and grandchildren".

## **PERFORMANCE CRITERIA**

### **1. LOAN-TO-SHARE ANALYSIS**

Based on the information and documentation reviewed and Turnpike Credit Union's capacity to lend, its asset size, the types of loans available, its limited resources and lending strategy, the Credit Union's net loan-to-share ratio meets the standards for satisfactory performance.

This performance criterion determines what percentage of the Credit Union's share base is reinvested in the form of loans and evaluates its appropriateness. A comparative analysis of Turnpike Credit Union's net loan-to-share ratio was performed; the calculation incorporated the latest eight quarterly periods utilizing the total net loan to total share figures from the NCUA 5300 reports. The institution's average net loan-to-share ratio during this period was determined to be 40.8% percent which is reasonable given the Credit Union's asset size, resources, competition, lending strategy and the credit needs of its membership. The Credit Union's net loan-to-share ratio as of June 30, 2007 was calculated at 36.8 percent, which was the lowest ratio for the time period. The following graph illustrates the loan to share trends.



Source: NCUA Call Reports

As illustrated in the above table, the Credit Union's net loan-to-share ratio fluctuated during the past eight quarters ultimately decreasing from a high of 45.0 percent as of December 31, 2006 to 39.0 percent as of March 31, 2007 and to 36.8 percent as of June 30, 2007. Management attributed the decrease in the Credit Union's net loan-to-share ratio to several factors including competition as well as its memberships' borrowing needs.

## **PERFORMANCE CRITERIA (CONTINUED)**

The following table provides net loans to share ratios for credit unions of similar asset size. The ratios shown are calculated from NCUA Call report figures as of June 30, 2007.

<b>COMPARATIVE LOAN- TO- SHARE RATIOS</b>	
Lynn Teachers Credit Union	44.5%
Waltham Municipal Employees Credit Union	44.0%
Turnpike Credit Union	36.8%
Revere Firefighters Credit Union	22.6%

## **2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

Based upon the analysis of borrower income, particularly in lending to moderate-income applicants, the Credit Union's level of performance in providing loans to borrowers of different incomes criterion exceeds the standards for satisfactory performance.

A sample of the Credit Union's consumer loan data for calendar year 2005 and 2006 was analyzed in order to determine the distribution of credit based upon the income level of borrowers. The loan sample consisted of unsecured personal loans and new and used automobile loans. The borrower income analysis was based on the median family incomes for the Boston-Quincy Metropolitan Division ("MD") for 2005 and 2006 which was \$76,400 and \$77,700, respectively.

The four income categories that define the income level of borrowers include low, moderate, middle and upper-income. The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the Metropolitan Statistical Area ("MSA") or MD.

As defined by the U.S. Department of Housing and Urban Development (HUD) Low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA's median family income, while Upper-income is defined as income level that is equal to or greater than 120 percent of the MSA's median family income.

A review of thirty loan files from 2005 and 2006 was conducted to determine the borrower's income level. Of the thirty files reviewed, 3 or 10.0 percent were granted to low-income members, 15 or 50.0 percent were granted to moderate-income members, 8 or 26.7 percent were granted to a middle-income member, and 4 or 13.3 percent were granted to an upper-income member. The Credit Union's performance under this criterion is considered good, given that 60.0 percent of loans were granted to low- and moderate-income members.

## **PERFORMANCE CRITERIA (CONTINUED)**

### **3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

#### ***Review of Complaints***

There was no indication that the Credit Union received any complaints pertaining to its CRA performance since the previous examination. If such complaints or comments are received, however, management has procedures in place for the handling of these correspondences.

#### ***Fair Lending Policies and Practices***

The Credit Union's fair lending policies and practices are considered satisfactory. No practices that would result in disparate treatment were noted.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 668 South Avenue, Weston, MA 02493."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.